

# Top 5

What to watch this week in financial news

## 1. Will 2008 be the year of a housing turnaround?

As the housing market continues to waver, optimists are saying 2008 will be the year of a **turnaround**, sparking a round of fresh construction and clearing backlogs of unsold new homes. Chicago economist Paul Kasriel, however, thinks that Thursday's report on **December housing starts** will indicate more time is needed for a revival. "Snow and nasty ice storms played a role last month, but housing construction won't rebound until late this year," said Kasriel, of Northern Trust Co. "Builders still have quite a bit of **unsold inventory**, relative to sales, and pricing is weak."

## 2. Economists expect Fed to make aggressive cut

With two weeks remaining before members of the **Federal Reserve** meet to discuss **monetary policy**, bets are growing that they will take aggressive steps to lower **interest rates**. The odds favor a half-point move, says economist Brian Bethune of Global Insight in Lexington, Mass. He added, "Downside cyclical risks to the economy have risen, while strains in the financial markets remain acute." A half-point move would place the Fed's key rate at 3.75 percent.

## 3. December economic growth report Thursday

Worries about the pace of growth will be in the spotlight Thursday, when the **Conference Board** issues its December **leading economic indicators**. The November index fell by 0.4 percent following a drop of 0.5 percent a month earlier.

## 4. Automakers gear up for Detroit exposition

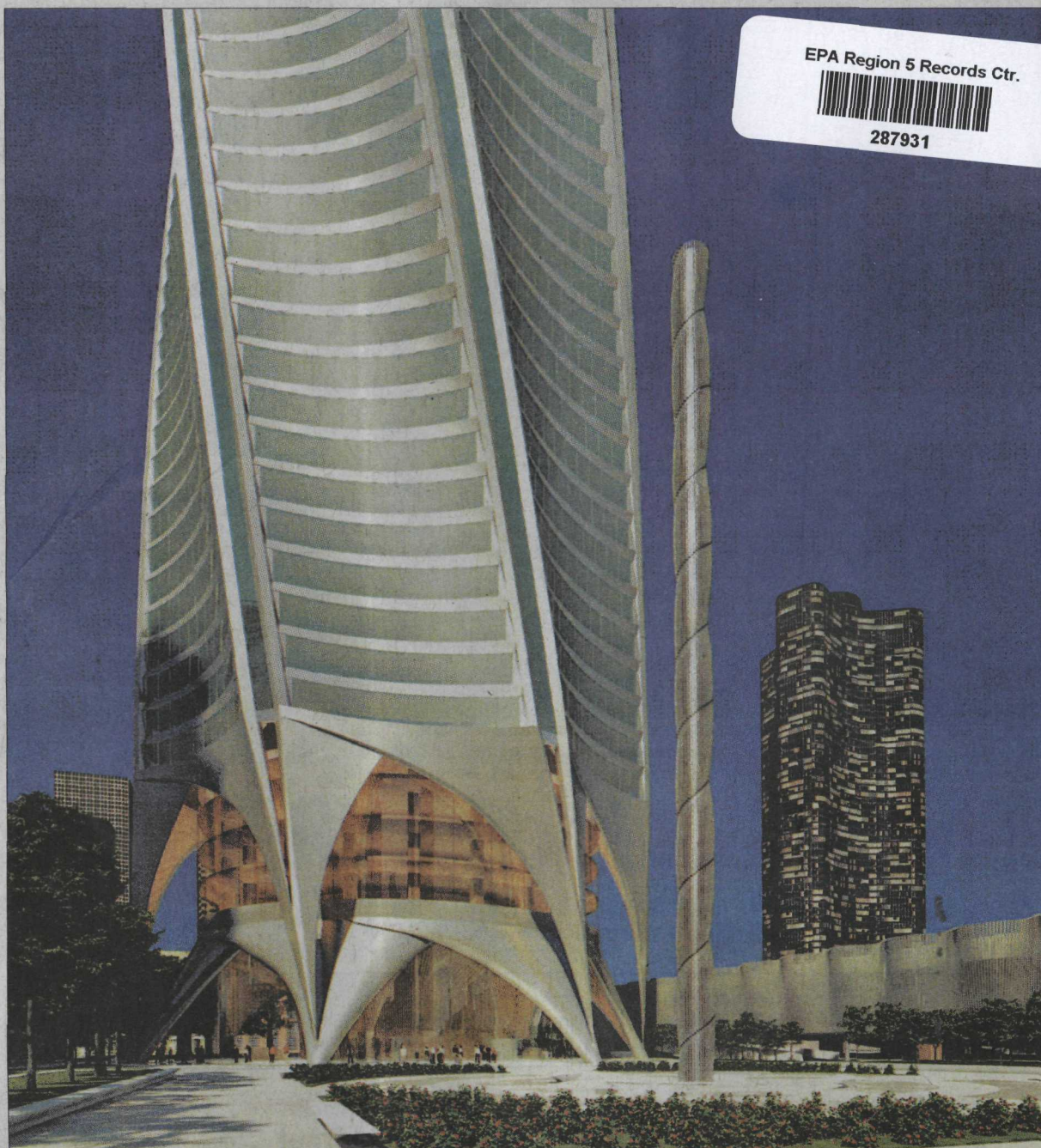
It's nearly **auto show season**, with the first extravaganza getting under way in **Detroit** on Saturday. Press previews have begun at the expo, which runs through Jan. 27. On view: a prototype **Buick Riviera** designed partly in **China**, where Buicks are huge sellers.

## 5. Utilities, staples likely to post 4th-quarter gains

It's **earnings season** on Wall Street, and many investors are nervous about **fourth-quarter results**. Aside from banks and brokerages, however, they are likely to show at least **high single-digit gains**. Wild cards are automakers, retailers, oil companies and home builders, any of which could disappoint. Strength is seen in **utilities** and companies that provide **consumer staples** such as laundry detergent and paper goods.

—William Sluis

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Rendering shows the base of the Spire, a 2,000-foot-tall condominium building slated to be built near where the Chicago River meets Lake Michigan.

# All eyes on Spire to twist buyers' arms

One-of-a-kind tower looks to fetch up to \$15 million a unit as it opens sales office; experts anxiously await results as they watch real estate deals and prices slide

By Susan Dieneshouse  
TRIBUNE STAFF REPORTER

In today's troubled housing market the dreams of the Chicago Spire developer will meet reality Monday when its sales office opens.

After a four-month delay, Dublin-based Shelbourne Development Ltd. will start selling the 1,194 super-luxury units it plans to build in a twisting 2,000-foot-tall tower designed by architect Santiago Calatrava.

Shelbourne not only wants to build the world's tallest residential tower, with prices of \$1,400 a square foot and higher, but also aims to raise the price level of luxury living in downtown Chicago.

Already about 600 people have

made appointments to visit the sales office at 455 N. Cityfront Plaza.

"There's interest in the building because it's one-of-a-kind," a Shelbourne spokeswoman said last week. With most units priced from \$750,000 to \$15 million, she added, "it will appeal to a specific audience."

Later this month, Shelbourne will launch its sales effort outside the U.S., where it expects to sell about half the units, its chief executive, Garrett Kelleher, has said. Starting Jan. 23, it will take its road show to Dublin, London, Shanghai, Hong Kong, Moscow and Johannesburg, among other places.

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## Construction started

The construction of the Chicago Spire started in July 2007. The subground phase, which involves the drilling of 34 supporting caissons into 120 feet of bedrock, is expected to be completed by the first quarter of this year.

**Developer:** Fordham Co.

**Architect/engineer:** Santiago Calatrava

**Height:** 2,000 feet, which is taller than Sears Tower (1,450 feet)

**Number of stories:** 150, with a proposed multistory "transparent" lobby

**Address:** 400 N. Lake Shore Drive

Sources: TheChicagoSpire.com, Tribune reporting

# Caution tale from prophesies the un

By Joshua Boak  
TRIBUNE STAFF REPORTER

Market meltdowns, 100-year floods every 10 years and to such as 9/11.

Nassim Taleb, an author and big thinker, has called such events "black swans" in a tale about European seafarers. "Australia and, much to my surprise, learned that there were white."

Such shocks occur cause even experts to question the likelihood of extreme events. That's why his theory is in his book, "The Black Swan: The Impact of the Highly Improbable." Intriguing to Chicagoans, which seeks to predict the future by exchanging futures contracts. His ideas have earned him a reputation as a "rock 'n' roller."

Radiohead frontman Thom Yorke sings during "Black Swan" at a concert. "Your blind spot, blind as you are, be obvious, but it's not." Taleb considers it.

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# Sports success stories victories ad sales

By Alana Semuels  
TRIBUNE NEWSPAPERS

The late shows may be air, but, except for reruns, prime-time TV is in for the foreseeable future. An advertiser to do?

One answer: Thrilling events have increased interest in sports. Looking to promote the sport, which will rather than recorded, sans commercial.

With digital video on the rise and the VCR in America strike in "sports is the only fresh," said David man and creative agency BBDO New York, which represents Pepsi-Cola North America. Advertisers that bought ad space during the Super Bowl, Fox, is always a big target, who start to early as March. For they went especially Mulcahy, executive.

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# GM gives traction to gas from trash

Warrenville firm says it can make more efficient, less costly fuel; hopes to produce 100 million gallons a year by 2010

By Rick Popely  
TRIBUNE STAFF REPORTER

Bags of garbage and bald tires that go to landfills today could wind up in your gas tank in a few years, along with wood chips, grass clippings and other organic waste.



# Retail group expects 'formidable' challenges, tepid sales growth

By Sandra M. Jones  
TRIBUNE STAFF REPORTER

The National Retail Federation forecasts industry sales will increase 3.5 percent in 2008 compared with last year, a relatively tepid pace that reflects consumers' rising financial stress.

The retail trade group, which is scheduled to release its 2008 outlook at its annual conference in New York on Monday, expects sales to be sluggish in particular during the first half of the year, rising at a 3.2 percent rate.

'Retailers will be forced to make practical consumer choices.'

—Rosalind Wells, chief economist, National Retail Federation

will feel the pressure. Challenges will be faced by everyone.

Last week, a broad range of retailers reported means.



## » SPIRE

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But appointments to visit a sales office for a tower that will open in four years if construction goes well and actual sales are two entirely different things.

"In this market, for the Spire to get several hundred contracts to move ahead with construction will be difficult," said James M. Kinney, president of Rubloff Residential Properties, a Chicago-based, high-end broker.

"If they introduce 600 units priced at \$2 million or more, that's a 7½-year supply for the downtown Chicago luxury market," Kinney added.

Furthermore, new construction now is selling more slowly than existing housing because buyers have become wary of the slowing economy.

"People who buy new have the patience to wait one to three years for a unit, and they're holding back to see how the economy and job market sort out," Kinney said.

With sales volume and prices sliding, "most people feel they have to make the deal of a lifetime," said another downtown luxury developer and broker, Charles Huzenis, president of Jameson Realty Group.

As a result, developers are offering incentives such as units priced 3 percent to 5 percent lower than they were last year, free parking and free finishes, such as granite countertops, that might have cost extra before the housing market started to tumble.

### Fewer contracts signed

Through the third quarter of last year, buyers signed contracts to purchase 3,312 newly built downtown condominiums, a decline of 35 percent from a year earlier and off 52 percent from the record year of 2005, according to Chicago-based Appraisal Research Counselors.

"This year we expect sales to fall further from the strong level of 2004 through 2006," said Gail Lissner, vice president at Appraisal Research. "There is no segment of the market that's immune from the slowdown."

But as sales fall, the downtown housing market will be inundated with new units.

This year, the delivery of new condominiums will rise to 6,300 units, up about 50 percent from two years ago, she noted.

Downtown developer Alan Lev, president of Belgravia Group, which has four downtown projects in the works, said the Spire "will need to find international buyers, certainly

not the ones we attract in the local market."

The Spire will be competing with the half-built Trump International Hotel & Tower, which has struggled with sales for the past two years.

The riverfront tower, where the average sale price is \$1,093 a square foot, "certainly isn't setting the world on fire, because we keep hearing that the building is 75 percent sold, and no more," Lev said.

Donald Trump, who still has more than 200 condominiums left to sell at his tower, declined to comment.

In Chicago, most luxury condominiums are priced from about \$750 to \$1,100 a square foot.

For instance, at the Mandarin Oriental Tower Chicago prices for a residential condominium reach \$892 a square foot, said the developer, Gerard Kenny, president of Palladian Development LLC. At the Watterview Tower and Shangri La Hotel residential condominiums are priced as high as \$1,000 a square foot, said Sean McMahon, project manager for developer Teng Associates.

### Price decline is rare

Although it is common for sales volume to slow in a down cycle, it's rare for prices to fall. Yet residential sale prices have been sliding for almost a year.

In October, existing-home prices fell 6.7 percent, the worst decline since the recession of 1991, according to the most recent Standard & Poor's/Case-Shiller home price index.

With home prices falling, "mortgage financing is not nearly as available as it was two years ago," said Chicago economic consultant Carl Tannenbaum.

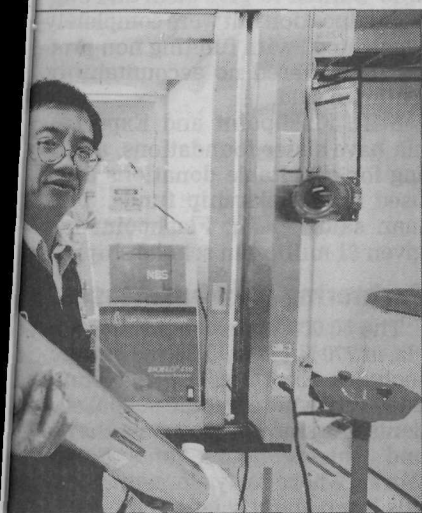
But as bleak as the housing market is now, that could change by 2012, when the Spire is scheduled to be completed. Shelbourne started foundation work at the site last summer.

"A recession could come and go before the building gets its first occupants," Tannenbaum said. On the other hand, the 150-story Spire, which is being built where Lake Michigan meets the Chicago River, has "location, location, location, and this could make it a success."

Furthermore, Kelleher "is resourceful, and there's a lot of money out there in the world market," said Huzenis of Jameson Realty. "If he can accomplish this, it would be great for Chicago."

Tribune staff reporter William Sluis contributed to this report.

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Tribune photo by Chuck Berman

**CellFlo Max, a hollow tube with hair-like bristles. Coskata says it can produce scrap tires, straw and plastic bottles.**

vantage for GM."

### Potential encouraging

Though lauding the concept, David Friedman, director of the clean vehicles program for the Union of Concerned Scientists, was skeptical. "Show me the money. We won't know until it's up and running."

Still, Friedman said cellulose ethanol has the potential to become 30 percent to 40 percent of transportation fuel. "It's exciting news that there is more potential technology coming out, and it's a good sign that GM also is investing in a company like this. But with a lot of things introduced at auto shows it's hard to tell the difference between potential and products."

Coskata initially will enlist partners experienced in running ethanol plants.

"We will essentially be the technical arm of partners that will operate the facilities," Roe said, comparing Coskata's processes to software that runs a computer.

His plan is to release new, more-productive bacteria strains every two to three years, as well as add products, such as butanol and propanol.

"We have a head start, we have an edge now, but you have to continue to innovate," he said, adding that the firm could go public after its technology is producing ethanol.

Long term, Roe said Coskata's technology and other processes could mean that municipal waste will be delivered to ethanol plants instead of landfills. "Waste can now be seen as useful for something else. Landfills can be dramatically minimized if not eliminated."

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